

CENTRAL INTELLIGENCE AGENCY

REPORT

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THIS IS UNEVALUATED INFORMATION

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1. Chinese Communist activities in Paocan (113-56, 22-32) were less aggressive because the local authorities were vigorously carrying out a program of "discipline readjustment."
- Political

2. [] the Chinese Communists announced that the Political Workers' Corps (正工隊), which was most unpopular, was to be dissolved. In 50X1-HUM actual fact, the members of this Corps were sent to work in local village and hamlet governments and in Farmers' and Labor Unions, and the announcement was a gesture made to please the people of Paocan. The announcement further indicated that persons who had served the Nationalist Government would no longer be arrested unless there were substantial proofs against them. All houses and lands which had been sealed up when the landlords fled without buying bonds or paying taxes were to be released pending further investigation. As a result of this manifestation of leniency, many emigrants were returning to Paocan.
3. Farmers' Unions have been organized in Paocan city and in various villages. Formerly, the Communists had recruited poor farmers as the bulk of the Farmers' Unions in order to eliminate landlords and wealthy farmers, a policy which resulted in the exodus of landlords and rich farmers and thus deprived the poor farmers of means of support. [] the Farmers' Unions were told to get as many members as possible among the rich farmers. Political workers were detailed to join the Unions to exercise control. 50X1-HUM
4. Conditions in the Labor Unions were similar to those in Farmers' Unions, with many laborers unemployed. However, since Paocan is not an industrial city the few unemployed laborers were able to live by gathering firewood and by fishing, and no serious labor problem developed.
5. Among the members of the Shayuchung*-Shench'uaa-Paocan Military Control Commission (MCC) there is a division of opinion with regard to the treatment

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of intellectuals. Some regard intellectuals as opportunists, changeable and subversive, to be kept under close control. Others regard them as a precious asset of the nation, to be utilized to the fullest extent in the national interests. Repeated meetings on this point were held in June, but no conclusion was reached.

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6.

7.

Economic

8. Food prices have declined in Paoan, partly as the result of government control of the sale of food, with strict prohibition of the export of foodstuffs and the death penalty for food smugglers, and partly because of the low purchasing power of the population, many of whom are leaving the area. Because of their low purchasing power, two thirds of the local populace have been substituting potatoes, turnips, beans and the like for their usual staple, rice, with the result that there is an ample stock of rice for local requirements.

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9. Commodity prices in Paoan were fairly stable. The local government trading agency was doing good business because the local merchants were willing to buy their goods from this agency, despite the fact that such goods could be sold at a premium of only three percent, for in this way they avoided red-tape in connection with taxes.

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10.

11. Tax collection in Paoan went smoothly and considerable progress was made.

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Reconstruction

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12. The Chinese Communist government in Paoan has engaged civilian laborers to clean up the broken walls, damaged houses and debris left behind and has turned the available ground into vegetable gardens. The authorities are also suggesting that the forthcoming People's Representatives' Conference pass a resolution to apply to higher authority in Canton for permission to turn the sites of the airfields at Hsihsiang (113-52, 22-34) and Houhai (12-44) into collective farms.
13. Because the foundations of the Paoan-Taiping road are loosely built and in several sections broken by flood action, the Canton authorities have

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instructed the Paoan government to repair it as soon as possible in order to meet the requirements of military transportation. The Paoan authorities have been trying to conscript civilian laborers to carry out the repairs at the expense of the local population, but members of the Executive Committee of the People's Representatives' Conference have objected to this on the grounds that the bus company had charged passengers maintenance fees. The Paoan authorities disregarded this objection.

Military

14. Chinese Communist troops in the Paoan sector were reluctant to give full support to the campaign against the Wanshan Islands because they realized the difficulty of the task in view of the lack of naval support. [] 50X1-HUM
[] they reported to higher authority on the topography between Paoan and the Wanshans, and submitted a plan drafted by the chief of staff of the 44 Army on how to attack the Wanshans. 50X1-HUM
15. The number of Chinese Communist troops in Paoan remained unchanged [] 50X1-HUM
[] They were occupied in training activities, the establishment of a telegraphic communications network, and the construction of defenses on the border at Shench'uan. 50X1-HUM
16. Guerrilla activities in Paoan decreased, and many guerrillas have disbanded because of shortage of supplies and lack of leadership. Topographical conditions in Paoan are not suitable for guerrillas.
17. Each village government is allowed to organize 15 armed civilians, known as the Self-Defense Section (自衛班) or village police, whose arms and ammunition are provided by the Public Safety Bureau of the Shayuchung-Shench'uan-Paoan LCC. The arms were commandeered from the local population. Ten rounds of ammunition are to be supplied for each rifle. [] 50X1-HUM

* [] Comment. This is probably Shayuyung (114-24, 22-36).

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